

ORIGINALDecision No. 72997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 E. S. CURTIS and MARY E. CURTIS,)
 husband and wife, dba "SIERRA LAKES)
 WATER COMPANY" for a certificate of)
 public convenience and necessity to)
 operate a public utility water system)
 near Oakhurst in Madera County and to)
 establish rates for service.)

Application No. 49088
 (Filed January 18, 1967)

Ernest W. Dunn, for applicants.

Elmer B. Hall, in propria persona and
 for Property Owners, Sierra Lakes
 Tracts, interested parties.

John D. Reader, for the Commission
 staff.

O P I N I O N

Applicants request a certificate and authority to establish rates for public utility water service in Sierra Lakes Tracts Nos. 1 and 2 and four adjacent parcels of land, an area of some 150 acres including lakes and roads, located at an elevation of about 3,000 feet in the Sierra foothills approximately three miles southeast of Oakhurst, Madera County.

The application was submitted at the conclusion of a public hearing held, after due notice, on June 13, 1967 at Oakhurst before Examiner Gregory.

The evidence discloses that applicants developed the Sierra Lakes Tracts and installed the water system in the years following 1959 with the intention of establishing a mutual water company. Opposition from the dozen or so water users led applicants to seek certification as a public utility and authority to

increase to \$14 per month the \$6 per month flat rate paid by most of the customers. E. S. Curtis owns and operates a public utility water system located near Hanford, Kings County, and has other property interests in California and Nevada.

Although no substantial opposition to the application developed at the hearing, a few controversial points emerged as a result of: (a) the proposed increase in rates; (b) the problem of obtaining an easement for service to Lot No. 1 of Sierra Lakes Tract No. 1; (c) the sometimes erratic behavior of the system's 66,000-gallon concrete reservoir, and (d) questions concerning the cost - and ready availability - of system repairs and maintenance by an absentee owner.

Another point concerns the disposition, in the staff's report (Exhibit 1), of so-called "hook-up" charges, ranging from \$250 to \$400, paid to Curtis in 1963 and 1965 by 15 lot owners for connections to the system. Of the \$5,825 so paid, \$4,375 represents amounts received from those who still own lots and \$1,450 from four individuals who subsequently sold their lots. The staff, for initial accounting purposes, credited the sum of \$5,825 to Account 246, Other Credits, in the Uniform System of Accounts for Class D Water Utilities. Unrefunded "hook-up" charges, in the staff's view, should be accounted as contributions recoverable by legal action against the owners of the system by those who paid the charges.

A detailed description of the present system and service area, together with historical, financial and rate data, appears in the application, in the staff report (Exhibit 1) and in supplementary material presented by applicants (Exhibits 2, 3, 4). The staff notes that the present facilities have been properly designed

and installed to furnish adequate service in the requested area and conform with General Order No. 103, Rules Governing Water Service Including Minimum Standards of Design and Construction. The evidence also discloses that applicants have sufficient financial resources with which to inaugurate the proposed service and to meet possible early operating losses. Curtis obtained a water supply permit for the two tracts from the Madera County Health Department on November 26, 1963. A county franchise is not required for operation of the water system.

Applicants have requested a basic flat rate of \$14 per month, payable quarterly. The staff has recommended that initial rates be authorized at a level that will compensate applicants for out-of-pocket costs only, until more customers are served. About 10 of the 12 present customers have been paying \$6 per month for water service. The staff, estimating out-of-pocket costs of \$1,970 for service to 20 customers in 1968, has recommended authorization for flat rates that would produce average revenues per customer of \$8.25 monthly, a comparable meter rate and a monthly rate of \$2.50 per hydrant for public fire hydrant service.

Although applicants indicated, at the hearing, that they were not entirely satisfied with the staff's rate recommendations, this record discloses no substantial issue concerning their reasonableness as initial rates. Applicants, of course, are entitled to have those rates reviewed subsequently by the Commission, in an appropriate proceeding, whenever experience suggests that they may be unreasonable or insufficient.

The proposed service area, chiefly in Sierra Lakes No. 1, does not include some lots containing private wells and others whose owners have indicated to applicants they they do not desire

utility water service. The staff asserts that it would be unreasonable to exclude such lots because the water mains are adjacent to most of them.

Lot No. 1, at the northwest corner of Sierra Lakes No. 1, has not been included in the proposed service area because applicants, thus far, have been unable to obtain an easement in an intervening lot, now served, for access to Lot No. 1. The staff, at the hearing, objected to an amendment, proposed by applicants, to paragraph 1 of its recommended order (Exhibit 1), to the effect that service to Lot No. 1 be conditioned upon the owner of that lot providing, at his sole cost, "easements, access, pipe and fittings, and the actual connection of same, from said Lot 1 to the existing connection at Lot 2, Sierra Lakes Tract No. 1." (Tr. p.5.) The record indicates, however, that an agreement between the two lot owners may have been reached subsequent to the date of the staff's report (April 20, 1967). In any event, we see no reason for excluding Lot No. 1 from the service area in view of applicants' willingness, expressed at the hearing, to serve the premises if an easement were to be made available by voluntary action of the lot owners.

Concerning the erratic behavior of the system's 66,000-gallon reservoir, located at the northeast corner of the development, the evidence shows that low pressures have occurred from time to time when the tank became empty - or did not fill completely - due to what appears from the testimony to have been faulty performance of the controls. Applicants have had the storage system repaired in an effort to remedy the problem and propose to do whatever is necessary to make it function adequately.

A point raised by the property owners concerns the possibility of excessive costs and delays for maintenance and repairs if applicants were to transport workers and supplies from distant points instead of using local resources. Curtis's response was that "The money would be coming from my pocket, so I would be getting the best job done with the least amount of money."

(Tr. p.80.) Any unreasonable expenses for maintenance or repairs would, of course, be subject to adjustment in a proceeding involving the rates of this system following its certification as a public utility.

With regard to the "hook-up" charges, referred to earlier, we adopt the staff's recommendations for the accounting treatment for those sums, as discussed in its report (Exhibit 1, pars. 17, 18). Any unrefunded charges of this nature should be reflected, as recommended by the staff, in Account 265, Contributions in Aid of Construction.

As this is the initial decision in the regulation of applicants' Sierra Lakes utility operations, it is appropriate to indicate the staff's treatment of utility plant in service, as shown in Exhibit 1, pars. 14 and 15. Applicants raised no issues concerning the staff's figures that require special comment.

The recorded balance of plant costs in applicants' books ("Sierra Lakes Water Company, Account No. 103"), as of December 31, 1966, amounted to \$35,091.79. After review, the staff reconstructed the balances in plant accounts, at end of 1966, as follows:

<u>Acct. No.</u>	<u>Title</u>	<u>Staff Determined Balances - 12/31/66</u>
301	Intangible Plant	\$ (a)
306	Land	2,400.00
315	Wells	5,200.66
324	Pumping Equipment	3,750.97
342	Reservoirs and Tanks	6,778.39
343	Water Mains	21,697.80
345	Services	1,079.32
348	Hydrants	<u>309.65</u>
	Utility Plant in Service	41,216.79

(a) When actual costs become known relative to attorneys' fees for services in connection with preparation of the application, these costs, along with the \$50 filing fee, should be charged to Account 301.

The balance of \$41,216.79 exceeds applicants' recorded amount by \$6,125.00. The difference is reconciled below:

a. Franchise tax, Sierra Lakes Mutual Water System	\$ (100)
b. Elimination of nonutility charge	(2,000)
c. Staff estimate of original costs of three land parcels (.81 Ac.) dedicated to utility use	2,400
d. "Hook-up" charges credited to this account:	
1963	\$4,625
1965	<u>1,200</u>
Total	<u>5,825</u>
	6,125

(Red Figure)

The staff computed a reserve for depreciation as of December 31, 1966 in the amount of \$4,278. That amount was obtained by applying a composite depreciation rate of 3 percent to the average of the adjusted beginning- and end-of-year depreciable plant balances.

We find, on this record, that:

1. Public convenience and necessity require the construction and operation of a water system by E. S. and Mary E. Curtis, husband and wife, for sale of water to the general public within the boundaries of Sierra Lakes Tracts Nos. 1 and 2 and vicinity, southeast of Oakhurst, Madera County, California, as shown on the map entitled "Sierra Lakes Subdivisions Water System", Exhibit 4 herein, together with four parcels of unsubdivided land containing approximately 10 acres shown on the northeastern corner of said map and designated "Parcel A" thereon; subject to the condition, however, that with respect to Lot No. 1, located adjacent to County Road No. 426 in the northwestern corner of Sierra Lakes Tract No. 1, service to the owners or occupants of said lot may be deferred pending acquisition by the utility, without cost to it, of an easement for access from said Lot No. 1 to applicants' existing facilities on adjoining Lot No. 2.

2. The rates and conditions of service set forth in Appendix A attached to the ensuing order are reasonable as the initial rates and conditions of service for the water system herein certificated.

3. Applicants have sufficient financial resources for establishment of the water service herein authorized.

4. Applicants' existing water facilities meet the minimum standards of design and construction for water systems provided by the Commission's General Order No. 103.

We conclude that the application should be granted as provided in the ensuing order.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to E. S. Curtis and Mary E. Curtis, his wife, authorizing them to construct and operate a public utility water system to serve Sierra Lakes Tracts Nos. 1 and 2 and the four parcels of land situated northeast of Beasore Road, Madera County, delineated as Parcel A on a map, Exhibit 4 herein; subject to the condition, however, that service to Lot No. 1 in Sierra Lakes Tract No. 1 may be deferred until the utility, at no cost to itself, has acquired an easement for a connection with existing facilities on adjoining Lot No. 2.

2. Applicants are authorized and directed to file, within thirty days after the effective date of this order, the schedules of rates set forth in Appendix A to this order, and a tariff service area map clearly indicating the boundaries of the certificated area, appropriate general rules, and copies of printed forms to be used in dealing with customers. Such filing shall comply with General Order No. 96-A and the tariff schedules shall become effective on the fourth day after the date of filing.

3. Applicants shall prepare and keep current the system map required by paragraph I.10.a. of General Order No. 103. Within ninety days after the water system is placed in operation under the authority herein, applicants shall file with the Commission two copies of such map.

4. For the year 1967, applicants shall apply a depreciation rate of 3.0 percent to the original cost of depreciable plant. Until review indicates otherwise, applicants shall continue to use

this rate. Applicants shall review their depreciation rate at intervals of five years and whenever a major change in depreciable plant occurs. Any revised depreciation rate shall be determined by: (1) subtracting the estimated future net salvage and the depreciation reserve from the original cost of plant; (2) dividing the result by the estimated remaining life of the plant; and (3) dividing the quotient by the original cost of plant. The results of each review shall be submitted promptly to this Commission.

5. Applicants shall set up formal books of account in accordance with the Uniform System of Accounts for Class D Water Utilities prescribed by this Commission and record therein the account balances as of December 31, 1966, as set forth in the tabulations contained in paragraphs 14 and 19, respectively, of the staff report, Exhibit No. 1.

6. When actual costs for legal services become known, applicants shall debit Account 301, Intangible Plant, along with the \$50 filing fee with a contra credit to Account 204, Proprietary Capital.

7. Applicants shall establish a separate bank account for this water utility's operations, deposit all receipts therein, and make all disbursements therefrom.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 27th day of AUGUST, 1967.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

Schedule No. 1A

ANNUAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

Sierra Lakes Tracts and vicinity, southeast of Oakhurst, Madera County.

RATES

		<u>Per Meter Per Month</u>
Monthly Quantity Rates:		
First	600 cu. ft. or less	\$ 5.50
Next	1,400 cu. ft., per 100 cu. ft.50
Next	4,000 cu. ft., per 100 cu. ft.40
Over	6,000 cu. ft., per 100 cu. ft.30
		<u>Per Meter Per Year</u>
Annual Minimum Charge:		
For	5/8 x 3/4-inch meter	\$ 66.00
For	3/4-inch meter	100.00
For	1-inch meter	150.00

The Annual Minimum Charge will entitle the customer to the quantity of water each month which one-twelfth of the annual minimum charge will purchase at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated minimum charges in advance at intervals of less than one year

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APPENDIX A
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Schedule No. 1A

ANNUAL GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS - Contd.

(monthly, bimonthly or quarterly) in accordance with the utility's established billing periods for water used in excess of the monthly allowance under the annual minimum charge. When meters are read bimonthly or quarterly, the charge will be computed by doubling or tripling, respectively, the number of cubic feet to which each block rate is applicable on a monthly basis.

2. The opening bill for metered service, except upon conversion from flat rate service, shall be the established annual minimum charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charges for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charges shall be due the customer.

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service furnished on an annual basis.

TERRITORY

Sierra Lakes Tracts and vicinity, southeast of Oakhurst, Madera County.

RATES

	<u>Per Service Connection</u>
Annual Minimum:	
For a single-family residential unit, including premises not exceeding 20,000 sq. ft. in area	\$ 78.00
Monthly Charges:	
(a) For each additional single-family residential unit on the same premises and served from the same service connection	4.50
(b) For each 1,000 sq. ft. of premises in excess of 20,000 sq. ft.07

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1A, Annual General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such

(Continued)

Schedule No. 2AR

ANNUAL RESIDENTIAL FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS - Contd.

flat rate payment and the minimum meter charge for the same period shall be made on or before that day.

4. The annual minimum charge applies to service during the 12-month period commencing January 1 and is due in advance. If a permanent resident of the area has been a customer of the utility for at least 12 months, he may elect, at the beginning of the calendar year, to pay prorated flat rate charges in advance at intervals of less than one year (monthly, bimonthly or quarterly) in accordance with the utility's established billing periods.

5. The opening bill for flat rate service shall be the established annual flat rate charge for the service. Where initial service is established after the first day of any year, the portion of such annual charge applicable to the current year shall be determined by multiplying the annual charge by one three-hundred-sixty-fifth ($1/365$) of the number of days remaining in the calendar year. The balance of the payment of the initial annual charge shall be credited against the charge for the succeeding annual period. If service is not continued for at least one year after the date of initial service, no refund of the initial annual charge shall be due the customer.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, organized fire districts and other political subdivisions of the State.

TERRITORY

Sierra Lakes Tracts and vicinity, southeast of Oakhurst, Madera County.

RATE

	<u>Per Month</u>
For each hydrant	\$ 2.50

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. 1A, Annual General Metered Service.

2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.

3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type and size.

4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.